

Message Text

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ACTION XMB-04

INFO OCT-01 AF-10 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 OPIC-03

SP-02 LAB-04 EPG-02 SIL-01 OMB-01 /056 W

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P 160820Z JUL 77

FM AMEMBASSY KINSHASA

TO SECSTATE WASHDC PRIORITY 4642

LIMITED OFFICIAL USE KINSHASA 6661

DEPT PASS EXIM, COMMERCE, OPIC, TREASURY

E.O. 11652: N/A

TAGS: EFIN, CG

SUBJECT: INGA-SHABA TRANSMISSION LINE

REF: KINSHASA 6580

1. BECAUSE OF OCCASIONAL SLOWNESS AND UNCERTAINTY OF COMMERCIAL FACILITIES WE REPEAT FOLLOWING CABLE SENT VIA SUCH MEANS FROM NZEZA, DELEGUE GENERAL, SNEL TO EXIM, ATTENTION CLAYTON NORRIS: BEGIN QUOTE

SUBJ: EXIM CREDIT 4684A, INGA SHABA PROJECT

DEAR MR. NORRIS:

2. IT HAS COME TO OUR KNOWLEDGE THROUGH OUR CONTRACTOR CONSTRUCTEURS INGA-SHABA (MORRISON-KNUDSEN CO.) THAT ALTHOUGH THE MEETING OF THE PARIS CLUB ON JULY 6 AND 7 RESULTED IN AGREEMENT TO RESCHEDULE CERTAIN PAYMENTS DUE EXIMBANK, NEVERTHELESS THE FACT THAT THE REPUBLIC IS DELINQUENT IN PAYMENT OF THE SUMS DUE 1 JULY 1977, WHICH RESULTED FROM THE RESCHEDULING AGREEMENTS OF 1976, THE EXIMBANK IS CONSIDERING WITHHOLDING

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FURTHER DISBURSEMENTS UNDER THE SUBJECT CREDIT.

3. MAY WE PLEASE ASK YOU TO RECONSIDER THIS DECISION. ALTHOUGH DISBURSEMENT OF FUNDS UNDER THE SUBJECT CREDIT HAS BEEN IN ABEYANCE SINCE MARCH OF THIS YEAR, OUR CONTRACTOR HAS CONTINUED TO OPERATE; HOWEVER, HE CANNOT CONTINUE THE PRESENT CONSTRUCTION EFFORT AFTER THE END OF JULY UNLESS DISBURSEMENT OF THE SUBJECT CREDIT

IS RENEWED.

4. THE NATURE OF THE CONSTRUCTION OF THE PROJECT IS SUCH THAT A FURTHER REDUCTION IN EFFORT IN ONE AREA WOULD RESULT IN AN UNBALANCED EFFORT; THEREFORE, THE ALTERNATIVE IS A COMPLETE CESSATION OF CONSTRUCTION OPERATIONS IN AUGUST.

5. AT THAT TIME, THE CONTRACTOR WOULD UNDERTAKE ONLY CARE AND MAINTENANCE OPERATIONS OF THE SPECIALIZED ELECTRICAL AND OTHER PLANT.

6. APPROXIMATELY 200 U.S. EXPATRIATES WOULD BE RETURNED TO THE USA AND 1000 ZAIROIS WORKERS WOULD LOSE THEIR EMPLOYMENT.

7. PROGRESS OF THE PROJECT WOULD CEASE AND THE CONSTRUCTION PERIOD WOULD BE EXTENDED. IF WORK IS HALTED FOR ONE YEAR, OUR CONTRACTOR ESTIMATES THAT THE COST OF THE PROJECT WOULD BE INCREASED BY 10 MILLION DOLLARS:

COST OF DEMOBILIZATION AND REMOBILIZATION	\$ 750,000
COST OF CARETAKER OPERATIONS FOR ONE YEAR	3,000,000
EFFECT OF INFLATION ON THE DELAYED EXPENDITURE OF \$80 MILLION FOR ONE YEAR AT 8 PER CENT	6,400,000
TOTAL	\$10,150,000

8. THE ADDITIONAL LOSS OF THE REPUBLIC DUE TO DELAYED COMPLETION OF THE PROJECT HAS NOT BEEN CLACULATED.
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9. SNEL WILL MAKE URGENT REPRESENTATIONS TO THE MINISTRY OF FINANCE AND TO THE BANQUE DU ZAIRE TO MAKE PAYMENT ON THE OUTSTANDING BALANCE DUE 1 JULY AND ASKS THAT EXIMBANK RECONSIDER THEIR DECISION AND PERMIT FURTHER DISBURSEMENT UNDER THE SUBJECT CREDIT WITHIN A TIME FRAME WHICH WILL ENABLE THE CONTRACTOR TO MAINTAIN CONSTRUCTION OPERATIONS AT THE PRESENT LEVEL. UNQUOTE

10. DECONTROL UPON RECEIPT.
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Message Attributes

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